

Service Date: November 19, 1993

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER of the Application)	
of the MONTANA POWER COMPANY for)	
Authority, Among Other Things, to)	
Borrow the Proceeds From the Sale)	UTILITY DIVISION
of Not to Exceed \$80,000,000)	
Principal Amount of Pollution)	DOCKET NO. 93.10.51
Control Revenue Refunding Bonds)	
to be Sold by the City of)	DEFAULT ORDER NO. 5760
Forsyth, Montana and, to Provide)	
for the Payment Thereof, to)	
Issue Not to Exceed \$90,000,000)	
Principal Amount of the)	
Applicant's First Mortgage Bonds.)	

1. On October 27, 1993, The Montana Power Company (Applicant or MPC), a corporation organized and existing under the laws of the State of Montana, filed with the Montana Public Service Commission (Commission) its application pursuant to Montana Code Annotated ("MCA") . . 69-3-501 through -507 (1991), seeking an order authorizing MPC, on or before December 31, 1994, to borrow the proceeds from the sale by the City of Forsyth, Rosebud County, Montana of not to exceed \$80,000,000 principal amount of one or more new series of the City's Collateralized Pollution Control Revenue Refunding Bonds and, to evidence such indebtedness and provide for the payment thereof, to issue and deliver not to exceed \$90,000,000 principal amount of one or more corresponding series of MPC's First Mortgage Bonds.

2. The application is supported by exhibits and data in accordance with Commission practice and rules and regulations.

3. The application states that MPC is a public utility as defined in MCA . 69-3-101, in that it furnishes electric and natural gas service in the State of Montana; that MPC's principal executive office is at 40 East Broadway, Butte, Montana; and that MPC is duly qualified to do business in the States of Montana, Wyoming and Idaho. For detailed information with respect to the general character of MPC's business and the territory served by it, reference is made to the application.

FINDINGS

1. MPC is a corporation organized and existing under and by virtue of the laws of the State of Montana and is qualified to transact business in the State of Montana.

2. MPC is a public utility as defined in MCA . 69-3-101 and is engaged in furnishing electric and natural gas service in the State of Montana.

3. The Commission has jurisdiction over the subject matter of the application pursuant to MCA §69-3-501.

4. The application states that MPC intends to borrow the proceeds from the sale by the City of Forsyth, Rosebud County, Montana (the "City") of not to exceed \$80,000,000 principal amount of one or more series of the City's Collateralized Pollution Control Revenue Refunding Bonds (the "PCRRBs") and, to evidence such indebtedness and provide for the payment thereof, to issue and deliver not to exceed \$90,000,000 principal amount of one or more corresponding series of MPC's First Mortgage Bonds (the "First Mortgage Bonds"). If any series of the PCRRBs should bear interest at a floating rate, MPC may issue and deliver zero coupon First Mortgage Bonds with respect to such PCRRBs. In that event, MPC would issue up to

\$10,000,000 of such First Mortgage Bonds in respect of interest on the PCRRBs. This security will enhance the creditworthiness of the PCRRBs and is expected to reduce their yield. In addition, MPC will procure a policy of municipal bond insurance or a similar credit enhancement for the PCRRBs should it determine that the resulting reduction in the yield on the PCRRBs would be cost effective. The PCRRBs will have a term of thirty years and will have such redemption provisions and bear interest payable at such times and at such rates, which may be either fixed or floating, as shall be determined at the time of sale based on then-existing market conditions. The proceeds from the sale of the PCRRBs will be used by MPC to redeem \$80,000,000 of shorter-term and higher-yield pollution control revenue bonds previously issued by the City for the benefit of MPC, the principal of and interest on which MPC is obligated to pay. MPC will pay the expenses of issuance and sale of the PCRRBs, including the compensation of the Underwriters and, in addition, certain expenses of the City and the Underwriters should the sale of the PCRRBs not be consummated.

5. MPC has undertaken to inform the Commission, after the sale of the PCRRBs, as to the principal amount sold, the price, the maturities, the interest rates, the redemption provisions and any other information with respect to the PCRRBs that the Commission may request.

6. Public notice of this application was given by its inclusion on the Commission's agenda for November 1, 1993.

7. MPC has furnished complete financial data with its application in accordance with developed practice of the Commission. The application sets forth a certified copy of the resolutions of the Board of Directors of the Company pertaining hereto, which were adopted on

October 26, 1993.

CONCLUSION OF LAW

The transactions proposed by the application, as hereinafter authorized, will be for a lawful purpose and are consistent with the public interest; and are necessary or appropriate for and consistent with the proper performance by MPC of service as a public utility.

ORDER

The application of The Montana Power Company for authority, on or before December 31, 1994, to borrow the proceeds from the sale by the City of Forsyth, Rosebud County, Montana, of not to exceed \$80,000,000 principal amount of PCRRBs and, to evidence such indebtedness and provide for the payment thereof, to issue and deliver not to exceed \$90,000,000 principal amount of one or more corresponding series of MPC's First Mortgage Bonds; to procure a policy of municipal bond insurance or a similar credit enhancement for the PCRRBs should MPC determine that the resulting reduction in the yield on the PCRRBs would be cost effective; and to pay the expenses of the City and MPC in connection with the proposed issuance and sale of the PCRRBs and, in addition, certain expenses of the City and the Underwriters should the sale of the PCRRBs not be consummated, such transactions to be consummated on the terms and conditions set forth in the Application, is approved.

In accordance with MCA . 69-3-507, nothing in this Order, nor any other act or deed done or performed in connection therewith, shall be construed to obligate the state of Montana to pay or guarantee, in any manner whatsoever, any security authorized, issued, assumed or

guaranteed under the provisions of MCA §§69-3-501 through -507.

Issuance of this Order does not mean acceptance of MPC's exhibits or other material accompanying the application for any purpose other than the issuance of this Order.

DONE IN OPEN SESSION at Helena, Montana, this 8th day of November, 1993,
by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ANDERSON, Chairman

BOB ROWE, Vice Chairman

DAVE FISHER, Commissioner

NANCY McCaffree, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.